

**OWOSSO PUBLIC SCHOOLS**  
**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary and additional information)**  
**YEAR ENDED JUNE 30, 2005**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Owosso Public Schools  
Owosso, Michigan

August 30, 2005

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Owosso Public Schools, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Owosso Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Owosso Public Schools as of June 30, 2005 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2005, on our consideration of Owosso Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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To the Board of Education  
Owosso Public Schools  
Owosso, Michigan

August 30, 2005

The management's discussion and analysis and budgetary comparison information on pages vi through xii and page 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Owosso Public Schools' basic financial statements. The additional information on pages 25 to 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Maner, Costinison & Ellis, P.C.*

Certified Public Accountants

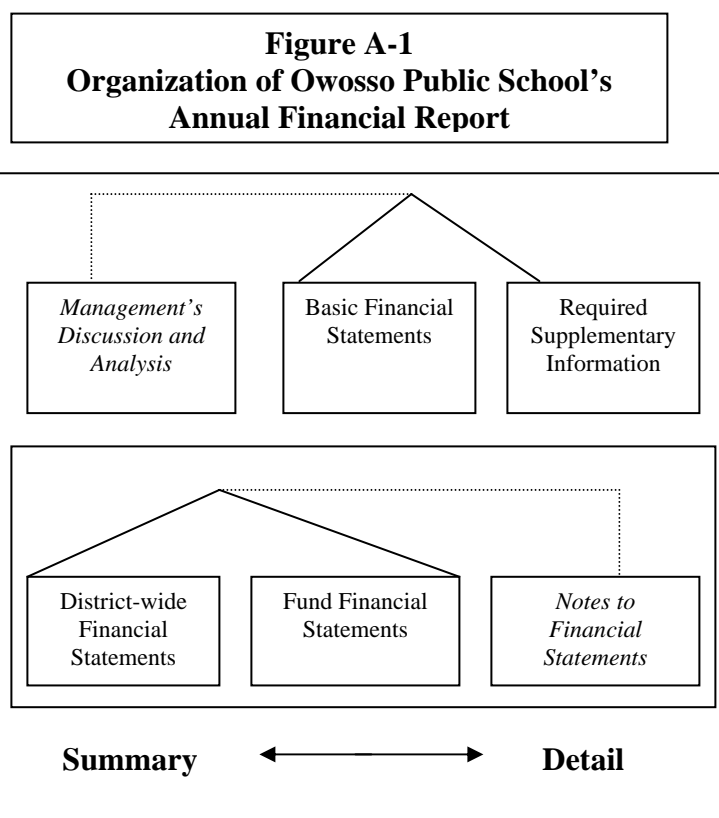
## OWOSSO PUBLIC SCHOOLS MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Owosso Public Schools' (OPS) annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the district's financial statements, which immediately follow this section.

### OVERVIEW OF THE FORMAT OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

### DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using the accrual accounting method similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets from all funds including the general, capital projects and other nonmajor governmental funds. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or *position* as of a point in time.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and other facilities and qualitative factors that are not indicated by financial information. In addition, it should be noted that one of the goals behind presenting a Statement of Net Assets is to make school's financial statements look similar to that of commercial and private sector businesses whose primary purpose is to generate profits. The mission of the District is to continually provide excellent educational opportunities for students and adults to create life long learners. During some fiscal years, given the state of the economy, it may be necessary for the District, with the support of the Board, to use the fund balance to improve these opportunities or to save funds for use in future years to prevent future reductions in programming.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole utilizing the modified accrual method of accounting. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs, some of which are required by law.

The District has two kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided with the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary funds* - The District is the trustee, or *fiduciary*, for assets that are designated for student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL HIGHLIGHTS OF THE DISTRICT AS A WHOLE

The following section provides a summary of the financial picture of the District as of and for the years ended June 30, 2005 and 2004, along with a brief discussion of the changes that took place and what precipitated those changes. It should be noted that the focus of every financial decision that is made is to support the District's mission of **"ensuring rich educational opportunities for each student in an environment of mutual trust and respect"**. This is done through expectations that every employee will follow norms established by the district as a whole. The first and most crucial norm is "Kids First."

Summary of Net Assets		
	2005	2004
<b>ASSETS:</b>		
Current assets	\$ 15,767,959	\$ 15,481,249
Non-current assets	12,577,912	10,746,998
<b>TOTAL ASSETS</b>	<b>\$ 28,345,871</b>	<b>\$ 26,228,247</b>
<b>LIABILITIES:</b>		
Current liabilities	\$ 8,657,273	\$ 7,110,179
Non-current liabilities	1,213,444	1,336,527
<b>TOTAL LIABILITIES</b>	<b>\$ 9,870,717</b>	<b>\$ 8,446,706</b>
<b>NET ASSETS:</b>		
Invested in capital assets - net of related debt	\$ 11,744,930	\$ 9,819,016
Unrestricted	6,730,224	7,962,525
<b>TOTAL NET ASSETS</b>	<b>\$ 18,475,154</b>	<b>\$ 17,781,541</b>



Changes in Net Assets		
	2005	2004
Revenues:		
General revenue:		
Property taxes received for general operations	\$ 2,742,661	\$ 2,569,705
Property taxes received for capital projects	1,462,399	1,397,390
State of Michigan unrestricted foundation allowance	23,118,126	23,794,613
Other	1,582,815	1,001,141
Total general revenue	28,906,001	28,762,849
Operating grants:		
Federal and state categorical grants	4,527,922	4,241,293
Charges for services:		
Instruction	41,323	32,919
Support services	18,703	16,593
Community services	107,499	112,552
Food service	529,486	562,804
Athletics	96,948	102,604
	793,959	827,472
Total revenues	34,227,882	33,831,614
Expenses:		
Instruction	21,686,421	20,542,211
Support services	9,319,066	9,356,637
Community services	45,782	5,205
Outgoing transfers and other transactions	432,773	483,283
Food services	1,238,994	1,068,886
Athletics	439,965	416,060
Interest on long-term debt	41,523	81,915
Unallocated depreciation	329,745	280,384
Total expenses	33,534,269	32,234,581
Increase in net assets	\$ 693,613	\$ 1,597,033

Again, it should be noted that the “Statement of Net Assets” reflects items that are not included in the “Statement of Revenues, Expenditures and Changes in Fund Balances”. In order to reconcile from the net change in fund balance reflected in the governmental financial statements to the change in net assets, the reader should review the “Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.” This provides a better comparison of the operations of the District in comparison to the previous year.

The following highlights some of the significant factors affecting net assets during the year:

➤ General Fund Operations:

The District’s General Fund expenditures exceeded revenue by \$362,228 for the fiscal year ended June 30, 2005; whereas, for the fiscal year ended June 30, 2004, revenues exceeded expenditures by \$1,727,019. The decrease in the fund balance for the fiscal year 2005 was a result of the continued cost pressure felt in the areas of retirement, insurance, salaries and consumable items. The increase in expenditures, in conjunction with a state foundation allowance that has not increased in line with the expenditures increases, resulted in the planned reduction in the fund balance for 2005.

➤ Capital Projects - Sinking Fund:

The Capital Projects Fund is primarily comprised of activities related to the collection and spending of the District’s sinking fund mileage that was passed by the voters in June of 2001. The Capital Projects - Sinking Fund expenditures exceeded revenue by \$847,756 for the fiscal year ended June 30, 2005; whereas, for the fiscal year ended June 30, 2004, revenues exceeded expenditures by \$36,073. Revenue to fund these projects is collected in the winter and the projects, typically, take place during the following summer. In most instances, this means that the expenditures for these projects cross fiscal years. The importance of this is that the annual income and expenditures are not as significant as the overall five-year plan for expenditures. This five-year plan was developed as part of a facility appraisal that considers the District’s facilities from a long-term viewpoint to ensure good stewardship of these assets. This plan is updated on an annual basis to reflect any new information. (It should be noted that these funds are restricted for use in capital improvements and are not available for operational purposes).

➤ Other Non Major Governmental Funds:

This category includes Athletics, Food Services and non-major Capital Projects Funds (i.e. revenues that are not derived from the Sinking Fund mileage). The combined expenditures exceeded revenue by \$41,014 for the fiscal year ended June 30, 2005; whereas, for the fiscal year ended June 30, 2004, revenues exceeded expenditures by \$83,919. The draw down of the fund balance in this area for 2005 was directly related to expenditures for capital improvements that were planned to improve the efficiency and safety of the food service operations to benefit the children served in the District.

## REPORTING THE BUDGET VERSUS ACTUAL EXPENDITURES

All school districts are required to present to the public and to approve a budget for the next fiscal year by June 30<sup>th</sup> of the current fiscal year. The Owosso Public Schools Board of Education adopted the budget for 2004-05 on June 28<sup>th</sup>, 2004. As a result of significant changes that occur in revenues and expenditures throughout the year, the Board adopted two revisions to the original budget, once on February 14<sup>th</sup>, 2005 and again on June 27<sup>th</sup>, 2005. The actual expenditures and revenue are compared in a summary statement to the February 14<sup>th</sup> budget and the final budget adopted in June. The budgeting process incorporates plans designed by building and program administrators to ensure that all items that support the mission and vision of the District are considered.

The challenge in budgeting in the educational environment is evident when the budget-to-actual statements are reviewed. This challenge stems from the heavy reliance that schools must place on the budgetary environment at the State and Federal level resulting in fluctuations that can occur in revenue and expenditure projections.

Overall, the comparison of the budget to actual figures reflects fluctuations. The bottom line is that through a conservative approach to expenditures by the program administrators and some changes in assumptions, the reduction in fund balance was minimized. The final to actual expense budget variance is within 1%. Although this is better than originally anticipated, school districts throughout Michigan cannot continue to experience reductions in fund balance or it will impact the ability to continue offering rich educational opportunities for the students of the State.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The following represents the summary of the capital assets, at acquisition value, owned by Owosso Public Schools. As represented below, the largest investment that the District has is in “buildings and additions.” The facilities of the District are well maintained, largely through the use of funds from the sinking fund millage. Similar to the previous year, during the 2004-05 fiscal year, based on the facility plan, buildings were identified for new windows, exterior and interior upgrades, parking lot upgrades along with the addition of a bus loop at one of the elementary schools to promote safety. The “Construction in progress” figure represents the funds expended prior to June 30, 2005 for projects that were completed during the summer of 2005. As previously noted, capital improvements to the facilities are done in conjunction with a facility appraisal plan as well as input from the various building administrators. Acquisitions for equipment and furniture are planned for through the annual budgeting process primarily through the use of sinking fund dollars.

Owosso Public Schools' Capital Assets as of June 30, 2005 and 2004		
	2005	2004
Land (non-depreciable)	\$ 362,165	\$ 362,165
Construction in progress (non-depreciable)	1,069,598	
Land improvements	547,599	402,637
Buildings and additions	16,642,825	15,515,303
Equipment and furniture	4,175,747	4,086,178
Total capital assets	22,797,934	20,366,283
Accumulated depreciation	10,220,022	9,619,285
Net capital assets	\$ 12,577,912	\$ 10,746,998

## Long-term Debt

The District has three bonds outstanding as of June 30, 2005 and 2004. The balances of those are reflected in the table below. The following descriptions provide a better understanding of why the obligations were initially entered into.

- The Durant bond proceeds are received annually and can be utilized for capital improvements. The payment of these bonds is an obligation of the State through the payment of state aid directly to the District for servicing this debt.
- The Energy bond represents an obligation entered into by the District to provide energy efficiencies and improved lighting environment in the facilities. This allowed for cost savings to be realized from these efficiencies to offset the cost of the indebtedness.
- The Telecommunication bond represents an investment in improving communication with instructional staff and enhancing technology in the classroom.

(More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Owosso Public Schools' Bonded Debt as of June 30, 2005 and 2004		
	2005	2004
Durant bond	\$ 282,982	\$ 282,982
Energy bond	400,000	470,000
Telecommunication bond	150,000	175,000
Total	<u>\$ 832,982</u>	<u>\$ 927,982</u>

In addition, \$496,902 and \$503,545 of compensated absences are included in long-term debt for the years ended June 30, 2005 and 2004, respectively.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, you are welcome to contact the Finance Department, Owosso Public Schools, 1405 W. North St., Owosso, MI 48867.

**OWOSSO PUBLIC SCHOOLS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	<u>Governmental activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash	\$ 2,130,289
Investments	8,465,927
Accounts receivable	55,845
Taxes receivable	30,023
Due from other governmental units	5,073,597
Inventories	9,278
Prepaid expenditures	<u>3,000</u>
<b>TOTAL CURRENT ASSETS</b>	<u>15,767,959</u>
<b>NONCURRENT ASSETS:</b>	
Capital assets	22,797,934
Less accumulated depreciation	<u>(10,220,022)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>12,577,912</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 28,345,871</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 1,560,726
Accrued salaries and related items	2,313,231
Deferred revenue	368,842
Accrued interest	98,034
State aid note	4,200,000
Current portion of long-term obligations	<u>116,440</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>8,657,273</u>
<b>NONCURRENT LIABILITIES:</b>	
Noncurrent portion of long-term obligations	716,542
Compensated absences	<u>496,902</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>1,213,444</u>
<b>TOTAL LIABILITIES</b>	<u>9,870,717</u>
<b>NET ASSETS:</b>	
Invested in capital assets net of related debt	11,744,930
Unrestricted	<u>6,730,224</u>
<b>TOTAL NET ASSETS</b>	<u>18,475,154</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 28,345,871</u></u>

**OWOSSO PUBLIC SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005**

<b>Functions/programs</b>	<b>Expenses</b>	<b>Program revenues</b>		<b>Governmental activities</b>
		<b>Charges for services</b>	<b>Operating grants</b>	<b>Net (expense) revenue and changes in net assets</b>
Governmental activities:				
Instruction	\$ 21,686,421	\$ 41,323	\$ 3,879,240	\$ (17,765,858)
Support services	9,319,066	18,703		(9,300,363)
Community services	45,782	107,499	16,010	77,727
Outgoing transfers and other transactions	432,773			(432,773)
Food services	1,238,994	529,486	632,672	(76,836)
Athletics	439,965	96,948		(343,017)
Interest on long-term debt	41,523			(41,523)
Unallocated depreciation	329,745			(329,745)
Total governmental activities	<u>\$ 33,534,269</u>	<u>\$ 793,959</u>	<u>\$ 4,527,922</u>	<u>(28,212,388)</u>
General revenues:				
Property taxes, levied for general purposes				2,742,661
Property taxes, levied for capital projects - sinking fund				1,462,399
Investment earnings				187,953
State sources				23,118,126
Shiawassee Regional Education Service District				1,074,915
Incoming transfers and other transactions				319,947
Total general revenues				<u>28,906,001</u>
Change in net assets				693,613
Net assets, beginning of year				<u>17,781,541</u>
Net assets, end of year				<u>\$ 18,475,154</u>

See notes to financial statements.

OWOSSO PUBLIC SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General fund	Capital projects sinking fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash	\$ 796,021	\$ 1,196,794	\$ 137,474	\$ 2,130,289
Investments	7,724,932	530,943	210,052	8,465,927
Accounts receivable	844		55,001	55,845
Taxes receivable	30,023			30,023
Due from other funds			150,814	150,814
Due from other governmental units	5,073,597			5,073,597
Inventories			9,278	9,278
Prepaid expenditures	3,000			3,000
TOTAL ASSETS	\$ 13,628,417	\$ 1,727,737	\$ 562,619	\$ 15,918,773

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	\$ 734,307	\$ 767,411	\$ 59,008	\$ 1,560,726
Accrued salaries and related items	2,312,602		629	2,313,231
Deferred revenue	398,865			398,865
Due to other funds	133,258		17,556	150,814
Accrued interest	56,599			56,599
Tax anticipation note	4,200,000			4,200,000
TOTAL LIABILITIES	7,835,631	767,411	77,193	8,680,235

	General fund	Capital projects sinking fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:	\$ 23,000	\$	\$	\$ 23,000
Reserved for encumbrances			9,278	9,278
Reserved for inventories				
Designated for subsequent years' expenditures	1,350,592	10,734		1,361,326
Unreserved, undesignated	4,419,194	949,592	476,148	5,844,934
TOTAL FUND BALANCES	5,792,786	960,326	485,426	7,238,538
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,628,417	\$ 1,727,737	\$ 562,619	\$ 15,918,773
Total Governmental Fund Balances				\$ 7,238,538

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds				
The cost of the capital assets is			\$ 22,797,934	
Accumulated depreciation is			(10,220,022)	12,577,912
Long-term liabilities are not due and payable in the current period and are not reported in the funds				
Bonds payable				(832,982)
Compensated absences				(496,902)
Accrued interest is not included as a liability in government funds, it is recorded when paid				(41,435)
Balance of taxes receivable at 6/30/05 less allowance for doubtful accounts, expected to be collected after September 1, 2005				30,023
Net assets of governmental activities				\$ 18,475,154

**OWOSSO PUBLIC SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	General fund	Capital projects sinking fund	Other nonmajor governmental funds	Total governmental funds
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 2,720,837	\$ 1,462,399	\$	\$ 4,183,236
Investment earnings	157,152	24,841	5,961	187,954
Food sales and athletic admissions			626,434	626,434
Other local sources	472,289			472,289
Total local sources	3,350,278	1,487,240	632,395	5,469,913
State sources	25,265,839		60,073	25,325,912
Federal sources	1,747,537		572,599	2,320,136
Intermediate sources	1,074,916			1,074,916
Total revenues	31,438,570	1,487,240	1,265,067	34,190,877
<b>EXPENDITURES:</b>				
Current:				
Instruction	21,362,830			21,362,830
Supporting services	9,445,198			9,445,198
Food service activities			1,223,812	1,223,812
Athletic activities			422,510	422,510
Outgoing transfers and other transactions	638,129			638,129
Capital outlay		2,334,996	14,400	2,349,396
Total expenditures	31,446,157	2,334,996	1,660,722	35,441,875
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ (7,587)	\$ (847,756)	\$ (395,655)	\$ (1,250,998)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds	15,182		369,823	385,005
Operating transfers to other funds	(369,823)		(15,182)	(385,005)
Total other financing sources (uses)	(354,641)		354,641	
<b>NET CHANGE IN FUND BALANCES</b>	(362,228)	(847,756)	(41,014)	(1,250,998)
<b>FUND BALANCES:</b>				
Beginning of year	6,155,014	1,808,082	526,440	8,489,536
End of year	\$ 5,792,786	\$ 960,326	\$ 485,426	\$ 7,238,538



**OWOSSO PUBLIC SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005**

<b>Net change in fund balances total governmental funds</b>	<b>\$ (1,250,998)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(600,737)
Capital outlay	2,431,651

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable beginning of the year	31,665
Accrued interest payable end of the year	(41,435)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)

95,000

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Deferred property tax revenue beginning of the year	(8,199)
Deferred property tax revenue end of the year	30,023

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences beginning of the year	503,545
Accrued compensated absences end of the year	(496,902)

<b>Change in net assets of governmental activities</b>	<b>\$ 693,613</b>
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**OWOSSO PUBLIC SCHOOLS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2005**

	<u>Agency</u>
<b>ASSETS</b>	
Cash	\$ 157,007
<b>LIABILITIES</b>	
Due to student groups:	
Agency fund - high school	\$ 136,327
Agency fund - middle school	<u>20,680</u>
	<u>\$ 157,007</u>

## **OWOSSO PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Owosso Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

#### **A. Reporting Entity**

The Owosso Public Schools (the "District") is governed by the Owosso Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

#### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**OWOSSO PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Continued)**

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *capital projects sinking fund* accounts for the receipt of property taxes levied for sinking fund and the subsequent expenditures of those funds. The fund has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

**Other Non-major Funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

**OWOSSO PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-wide and fund financial statements (Concluded)**

The *capital projects funds* account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

*Fiduciary funds* account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**OWOSSO PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)**

**State Revenue**

The State of Michigan utilizes a foundation grant approach, which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2004 to August 2005. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

**OWOSSO PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit. (Concluded)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General Fund - Non-homestead	17.7259
Capital Projects Sinking Fund - Homestead and non-homestead	2.9216

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**OWOSSO PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Other Accounting Policies (Continued)**

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 20 years

The District’s capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

The District’s contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.



**OWOSSO PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**D. Other Accounting Policies (Concluded)**

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and capital projects funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.

**OWOSSO PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)**

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and capital project funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2005. The District does not consider these amendments to be significant.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$11,280,583 of the District's bank balance of \$11,380,583 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**OWOSSO PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)**

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments, which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$157,007	<u><u>\$ 10,753,223</u></u>
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The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 157,007
Cash - District wide	2,130,289
Investments - District wide	<u>8,465,927</u>
	<u><u>\$ 10,753,223</u></u>

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2005 from other governmental units consist of the following:

State aid	\$ 4,571,874
Federal aid	501,481
Intermediate sources	<u>242</u>
	<u><u>\$ 5,073,597</u></u>

No allowance for doubtful accounts is considered necessary.

**OWOSSO PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Assets not being depreciated:				
Land	\$ 362,165	\$	\$	\$ 362,165
Construction in progress		1,069,598		1,069,598
Total non-depreciable capital assets	362,165	1,069,598		1,431,763
Capital assets:				
Land improvements	402,637	144,962		547,599
Buildings and additions	15,515,303	1,127,522		16,642,825
Machinery and equipment	3,875,883	89,569		3,965,452
Transportation equipment	210,295			210,295
Total depreciable capital assets	20,004,118	1,362,053		21,366,171
Total capital assets	20,366,283	2,431,651		22,797,934
Accumulated depreciation:				
Land improvements	1,660	20,132		21,792
Buildings and additions	7,104,661	309,613		7,414,274
Machinery and equipment	2,482,186	244,705		2,726,891
Transportation equipment	30,778	26,287		57,065
Subtotal	9,619,285	600,737		10,220,022
Net capital assets	\$ 10,746,998	\$ 1,830,914	\$	\$ 12,577,912

Depreciation for the fiscal year ended June 30, 2005 amounted to \$600,737 and was allocated as follows:

Governmental activities:	
Instruction	\$ 127,566
Support services	125,971
Athletics	17,455
Unallocated	329,745
Total government activities	\$ 600,737

**OWOSSO PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - NOTE PAYABLE**

At June 30, 2005, the District has a note payable outstanding of \$4,200,000. The note has an interest rate of 1.57% and matures August 19, 2005. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 3004	Additions	Payments	Balance June 30, 2005
<u>\$ 3,000,000</u>	<u>\$ 4,200,000</u>	<u>\$ 3,000,000</u>	<u>\$ 4,200,000</u>

Subsequent to year-end, the District entered into an agreement for a \$4,500,000 State aid note that has an interest rate of 2.92% and matures August 18, 2006. The note is secured by the full faith and credit of the District as well as pledged state aid.

**NOTE 7 - LONG-TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2005:

	Accumulated compensated absences	Bonded debt	Total
Balance, July 1, 2004	\$ 503,545	\$ 927,982	\$ 1,431,527
Additions (deletions)	<u>(6,643)</u>	<u>(95,000)</u>	<u>(101,643)</u>
Balance, June 30, 2005	496,902	832,982	1,329,884
Less current portion	<u>                    </u>	<u>(116,440)</u>	<u>(116,440)</u>
Total due after one year	<u>\$ 496,902</u>	<u>\$ 716,542</u>	<u>\$ 1,213,444</u>

**OWOSSO PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT (Concluded)**

Bonds payable at June 30, 2005 is comprised of the following issues:

Durant bond due in installments of \$31,100 to \$146,785 through May 15, 2013, with interest at 4.76 percent. Certain state aid has been pledged as security.	\$ 282,982
Energy bond due in installments of \$70,000 to \$90,000 plus semi-annual interest payments through May 1, 2010, with interest from 5.05 to 5.35 percent.	400,000
Telecommunication bond due in installments of \$25,000 to \$35,000 plus semi-annual interest payments through May 1, 2010, with interest from 3.80 to 4.45 percent.	<u>150,000</u>
Total bonded debt	832,982
Obligation under contract for compensated absences	<u>496,902</u>
Total general long-term debt	<u><u>\$ 1,329,884</u></u>

The annual requirements to amortize debt outstanding as of June 30, 2005, including interest payments are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2006	\$ 116,440	\$ 36,932	\$ 153,372
2007	127,456	31,354	158,810
2008	133,531	25,192	158,723
2009	219,648	54,319	273,967
2010	150,824	11,653	162,477
2011 - 2013	<u>85,083</u>	<u>8,228</u>	<u>93,311</u>
	832,982	167,678	1,000,660
Accumulated compensated absences	<u>496,902</u>		<u>496,902</u>
	<u><u>\$ 1,329,884</u></u>	<u><u>\$ 167,678</u></u>	<u><u>\$ 1,497,562</u></u>

**OWOSSO PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund payable and receivable balances at June 30, 2005 are as follows:

Receivable fund		Payable fund	
Food service	\$ 150,814	General fund	\$ 133,258
		Athletics	17,556
	<u>\$ 150,814</u>		<u>\$ 150,814</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in accounting systems, and (3) payments between funds are made.

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

**OWOSSO PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)**

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2005 was 12.99% through September 2004 and 14.87% beginning October 1, 2004. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2005, 2004 and 2003 were \$2,800,000, \$2,400,000, and \$2,300,000, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Post-employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2005 or any of the prior three years.

**NOTE 11 - CONTINGENCIES**

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.



**OWOSSO PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - TRANSFERS**

The general fund transferred \$325,529 to the athletics fund and \$44,294 to the non-major capital projects fund. The school lunch fund transferred \$15,182 to the general fund.

The transfer to the athletic fund was to subsidize operations. The transfer to the non-major capital projects fund was to cover future expenditures. The transfer from school lunch was to cover indirect costs paid by general fund.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**OWOSSO PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2005**

				Variance with final budget- positive (negative)
	Original budget	Final budget	Actual	
REVENUES:				
Local sources	\$ 2,864,963	\$ 3,414,149	\$ 3,350,278	\$ (63,871)
State sources	25,050,669	25,285,574	25,265,839	(19,735)
Federal sources	1,722,943	1,871,960	1,747,537	(124,423)
Intermediate sources	365,250	1,110,973	1,074,916	(36,057)
Total revenues	30,003,825	31,682,656	31,438,570	(244,086)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	14,803,698	15,492,202	15,417,899	74,303
Added needs	5,763,003	6,139,075	5,851,540	287,535
Adult continuing education	85,593	96,086	93,391	2,695
Total instruction	20,652,294	21,727,363	21,362,830	364,533
Supporting services:				
Pupil	685,502	686,402	680,881	5,521
Instructional staff	1,452,603	1,217,834	1,203,935	13,899
General administration	646,558	640,702	643,711	(3,009)
School administration	2,302,968	2,331,831	2,273,993	57,838
Business	761,938	748,354	727,894	20,460
	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
EXPENDITURES (Concluded):				
Supporting services (Concluded):				
Operation and maintenance	\$ 3,242,523	\$ 3,191,899	\$ 3,122,196	\$ 69,703
Pupil transportation	655,326	675,429	646,363	29,066
Other support services	127,307	144,276	146,225	(1,949)
Total supporting services	9,874,725	9,636,727	9,445,198	191,529
Outgoing transfers and other transactions	763,300	638,193	638,129	64
Total expenditures	31,290,319	32,002,283	31,446,157	556,126
EXCESS (DEFICENCY) OF REVENUES OVER EXPENDITURES				
	(1,286,494)	(319,627)	(7,587)	312,040
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds			15,182	15,182
Operating transfers to other funds	(323,000)	(367,000)	(369,823)	(2,823)
Total other financing sources (uses)	(323,000)	(367,000)	(354,641)	12,359
NET CHANGE IN FUND BALANCE				
	\$ (1,609,494)	\$ (686,627)	(362,228)	\$ 324,399
FUND BALANCE:				
Beginning of year			6,155,014	
End of year			\$ 5,792,786	

## **ADDITIONAL INFORMATION**

**OWOSSO PUBLIC SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES  
JUNE 30, 2005**

	<u>Special revenue</u>	<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
<b>ASSETS</b>			
<b>ASSETS:</b>			
Cash	\$ 91,196	\$ 46,278	\$ 137,474
Investments		210,052	210,052
Accounts receivable	55,001		55,001
Due from other funds	126,206	24,608	150,814
Inventories	9,278		9,278
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 281,681</u></u>	<u><u>\$ 280,938</u></u>	<u><u>\$ 562,619</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 59,008	\$	\$ 59,008
Accrued payroll	629		629
Due to other funds	17,556		17,556
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>77,193</u>	<u>          </u>	<u>77,193</u>
<b>FUND BALANCES:</b>			
Reserved for inventories	9,278		9,278
Unreserved, undesignated	195,210	280,938	476,148
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<u>204,488</u>	<u>280,938</u>	<u>485,426</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 281,681</u></u>	<u><u>\$ 280,938</u></u>	<u><u>\$ 562,619</u></u>

**OWOSSO PUBLIC SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2005**

	<u>Special revenue</u>	<u>Capital projects</u>	<u>Total nonmajor governmental funds</u>
<b>REVENUES:</b>			
Local sources:			
Investment earnings	\$ 1,949	\$ 4,012	\$ 5,961
Food sales and athletic admissions	626,434		626,434
	<u>628,383</u>	<u>4,012</u>	<u>632,395</u>
Total local sources			
	60,073		60,073
State sources			
Federal sources	572,599		572,599
	<u>1,261,055</u>	<u>4,012</u>	<u>1,265,067</u>
Total revenues			
<b>EXPENDITURES:</b>			
Current:			
Food service activities	1,223,812		1,223,812
Athletic activities	422,510		422,510
Capital outlay		14,400	14,400
	<u>1,646,322</u>	<u>14,400</u>	<u>1,660,722</u>
Total expenditures			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(385,267)	(10,388)	(395,655)
<b>OTHER FINANCING SOURCES:</b>			
Operating transfers from other funds	310,347	44,294	354,641
	<u>310,347</u>	<u>44,294</u>	<u>354,641</u>
<b>NET CHANGE IN FUND BALANCES</b>	(74,920)	33,906	(41,014)
<b>FUND BALANCES:</b>			
Beginning of year	279,408	247,032	526,440
	<u>279,408</u>	<u>247,032</u>	<u>526,440</u>
End of year	\$ 204,488	\$ 280,938	\$ 485,426
	<u>\$ 204,488</u>	<u>\$ 280,938</u>	<u>\$ 485,426</u>

**OWOSSO PUBLIC SCHOOLS  
GENERAL FUND  
BALANCE SHEET  
JUNE 30, 2005  
(with comparative totals for June 30, 2004)**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
<b>ASSETS:</b>		
Cash	\$ 796,021	\$ 527,969
Investments	7,724,932	7,463,427
Accounts receivable	30,867	53,131
Interest receivable		335
Due from other governmental units	5,073,597	5,126,441
Prepaid expenditures	<u>3,000</u>	<u>3,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 13,628,417</u></u>	<u><u>\$ 13,174,303</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 734,307	\$ 918,832
Accrued salaries and related items	2,312,602	2,300,791
Deferred revenue	398,865	486,038
Due to other funds	133,258	287,105
Accrued interest	56,599	26,523
Tax anticipation note	<u>4,200,000</u>	<u>3,000,000</u>
<b>TOTAL LIABILITIES</b>	<u>7,835,631</u>	<u>7,019,289</u>
<b>FUND BALANCE:</b>		
Reserved for encumbrances	23,000	23,000
Designated for subsequent years' expenditures	1,350,592	1,609,494
Unreserved, undesignated	<u>4,419,194</u>	<u>4,522,520</u>
<b>TOTAL FUND BALANCE</b>	<u>5,792,786</u>	<u>6,155,014</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 13,628,417</u></u>	<u><u>\$ 13,174,303</u></u>

**OWOSSO PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER TRANSACTIONS  
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>LOCAL SOURCES:</b>			
Property taxes	\$ 2,714,081	\$ 2,720,837	\$ 6,756
Tuition	42,000	41,323	(677)
Interest	147,842	157,152	9,310
Other local revenue	510,226	430,966	(79,260)
<b>TOTAL LOCAL SOURCES</b>	<u>3,414,149</u>	<u>3,350,278</u>	<u>(63,871)</u>
<b>STATE SOURCES:</b>			
State school aid	23,119,040	23,118,126	(914)
At risk	848,437	832,682	(15,755)
Early childhood education	214,500	214,500	
Special education	972,765	972,765	
Adult education	14,267	16,010	1,743
Vocational education	46,951	42,142	(4,809)
Other	69,614	69,614	
<b>TOTAL STATE SOURCES</b>	<u>25,285,574</u>	<u>25,265,839</u>	<u>(19,735)</u>
<b>FEDERAL SOURCES:</b>			
Title I	969,765	888,581	(81,184)
Other	902,195	858,956	(43,239)
<b>TOTAL FEDERAL SOURCES</b>	<u>1,871,960</u>	<u>1,747,537</u>	<u>(124,423)</u>
<b>INTERMEDIATE DISTRICT SOURCES: AND OTHER TRANSACTIONS:</b>			
County ISD	1,073,973	1,074,916	943
Transfer from other funds	37,000	15,182	(21,818)
	<u>1,110,973</u>	<u>1,090,098</u>	<u>(20,875)</u>
<b>TOTAL REVENUES AND OTHER TRANSACTIONS</b>	<u><u>\$ 31,682,656</u></u>	<u><u>\$ 31,453,752</u></u>	<u><u>\$ (228,904)</u></u>



**OWOSSO PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS  
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>INSTRUCTION:</b>			
Basic programs:			
Elementary:			
Salaries	\$ 5,435,534	\$ 5,412,772	\$ 22,762
Benefits	2,417,140	2,421,549	(4,409)
Purchased service	102,193	98,925	3,268
Supplies and materials	237,251	231,980	5,271
Capital outlay	45,279	45,211	68
Other expenses		160	(160)
Total elementary	<u>8,237,397</u>	<u>8,210,597</u>	<u>26,800</u>
Middle school:			
Salaries	1,789,961	1,788,445	1,516
Benefits	825,092	812,397	12,695
Purchased service	34,172	33,450	722
Supplies and materials	92,005	90,437	1,568
Capital outlay	51,600	48,449	3,151
Other expenses	894	894	
Total middle school	<u>2,793,724</u>	<u>2,774,072</u>	<u>19,652</u>
High school:			
Salaries	2,704,264	2,689,480	14,784
Benefits	1,271,531	1,261,262	10,269
Purchased service	52,381	51,509	872
Supplies and materials	179,532	175,992	3,540
Capital outlay	28,058	27,250	808
Other expenses	10,815	11,831	(1,016)
Total high school	<u>4,246,581</u>	<u>4,217,324</u>	<u>29,257</u>
Preschool grant:			
Salaries	147,960	149,539	(1,579)
Benefits	52,784	53,077	(293)
Purchased services	2,191	1,849	342
Supplies and materials	11,265	11,141	124
Other expenses	300	300	
Total preschool grant	<u>214,500</u>	<u>215,906</u>	<u>(1,406)</u>
Total basic programs	<u>15,492,202</u>	<u>15,417,899</u>	<u>74,303</u>

**OWOSSO PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS  
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>INSTRUCTION (Continued)</b>			
Added needs:			
Special education:			
Salaries	\$ 2,182,514	\$ 2,132,810	\$ 49,704
Benefits	951,505	938,783	12,722
Purchased services	2,151	2,399	(248)
Supplies and materials	181,367	90,912	90,455
Total special education	<u>3,317,537</u>	<u>3,164,904</u>	<u>152,633</u>
Daycare program:			
Salaries	25,333	27,168	(1,835)
Benefits	7,216	7,588	(372)
Purchased services	828	456	372
Supplies and materials	2,038	2,179	(141)
Other expenses	294	144	150
Total daycare program	<u>35,709</u>	<u>37,535</u>	<u>(1,826)</u>
Title I:			
Salaries	635,464	590,124	45,340
Benefits	243,567	232,610	10,957
Purchased services	23,750	15,657	8,093
Supplies and materials	36,004	21,833	14,171
Total Title I	<u>938,785</u>	<u>860,224</u>	<u>78,561</u>
Vocational education:			
Salaries	295,709	295,388	321
Benefits	122,510	122,210	300
Purchased service	17,387	17,689	(302)
Supplies and materials	62,520	61,801	719
Total vocational education	<u>498,126</u>	<u>497,088</u>	<u>1,038</u>
Drivers education:			
Salaries	25,497	20,038	5,459
Benefits	5,742	4,058	1,684
Purchased services	1,500		1,500
Supplies and materials	6,270	1,684	4,586
Total drivers education	<u>39,009</u>	<u>25,780</u>	<u>13,229</u>

**OWOSSO PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS  
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>INSTRUCTION (Concluded):</b>			
Added needs (Concluded):			
At-risk:			
Salaries	\$ 467,259	\$ 439,638	\$ 27,621
Benefits	183,522	173,637	9,885
Purchased service	191,775	214,165	(22,390)
Supplies and materials	5,882	5,241	641
	<u>848,438</u>	<u>832,681</u>	<u>15,757</u>
Total at risk			
Reading first grant:			
Salaries	215,984	221,527	(5,543)
Benefits	83,130	84,400	(1,270)
Purchased service	9,385	13,167	(3,782)
Supplies and materials	152,972	114,234	38,738
	<u>461,471</u>	<u>433,328</u>	<u>28,143</u>
Total reading first grant			
Total added needs	<u>6,139,075</u>	<u>5,851,540</u>	<u>287,535</u>
Community education:			
Salaries	52,061	49,857	2,204
Benefits	19,068	18,606	462
Purchased service	15,025	7,890	7,135
Supplies and materials	9,357	16,158	(6,801)
Other expenses	575	880	(305)
	<u>96,086</u>	<u>93,391</u>	<u>2,695</u>
Total community education			
<b>TOTAL INSTRUCTION</b>	<u>21,727,363</u>	<u>21,362,830</u>	<u>364,533</u>
<b>SUPPORTING SERVICES:</b>			
Pupil services:			
Guidance services:			
Salaries	433,112	432,529	583
Benefits	211,098	210,282	816
Purchased service	1,527	1,527	
Supplies and materials	18,415	17,729	686
	<u>664,152</u>	<u>662,067</u>	<u>2,085</u>
Total guidance services			

**OWOSSO PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS  
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>SUPPORTING SERVICES (Continued):</b>			
Pupil services (Continued):			
Health services:			
Purchased services	\$ 22,000	\$ 17,464	\$ 4,536
Supplies and materials	250	1,350	(1,100)
	<u>22,250</u>	<u>18,814</u>	<u>3,436</u>
Total health services			
	<u>686,402</u>	<u>680,881</u>	<u>5,521</u>
Instructional staff:			
Title II, Part A (Eisenhower):			
Salaries	241,072	238,966	2,106
Benefits	89,150	87,515	1,635
Purchased services	49,354	43,569	5,785
	<u>379,576</u>	<u>370,050</u>	<u>9,526</u>
Library services:			
Salaries	322,761	320,630	2,131
Benefits	137,441	134,459	2,982
Purchased services	5,777	5,634	143
Supplies and materials	30,261	28,208	2,053
Capital outlay	3,000	3,000	
	<u>499,240</u>	<u>491,931</u>	<u>7,309</u>
Title II, Part D:			
Salaries	5,600	3,600	2,000
Benefits	1,261	810	451
Supplies and materials	15,639	15,765	(126)
	<u>22,500</u>	<u>20,175</u>	<u>2,325</u>
Gifted and Talented Grant:			
Supplies and materials	557	414	143
	<u>557</u>	<u>414</u>	<u>143</u>
Title V:			
Supplies and materials	9,826	7,962	1,864
	<u>9,826</u>	<u>7,962</u>	<u>1,864</u>

**OWOSSO PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS  
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>SUPPORTING SERVICES (Continued):</b>			
Instructional staff (concluded):			
Improvement of instruction:			
Salaries	\$ 131,500	\$ 141,480	\$ (9,980)
Benefits	50,927	53,361	(2,434)
Purchased services	97,896	92,625	5,271
Supplies and materials	19,312	19,513	(201)
Capital outlay	6,500	6,424	76
	<u>306,135</u>	<u>313,403</u>	<u>(7,268)</u>
Total improvement of instruction			
	<u>1,217,834</u>	<u>1,203,935</u>	<u>13,899</u>
Total instructional staff			
General administration:			
Board of education:			
Purchased services	75,634	62,387	13,247
Supplies and materials	9,710	9,917	(207)
Capital outlay	1,000	1,000	
Other expenses	5,251	5,251	
	<u>91,595</u>	<u>78,555</u>	<u>13,040</u>
Total board of education			
Executive administration:			
Salaries	204,217	198,758	5,459
Benefits	83,338	79,532	3,806
Purchased services	32,503	33,355	(852)
Supplies and materials	9,690	8,491	1,199
Capital outlay	3,009	3,009	
Other expenses	4,136	4,205	(69)
	<u>336,893</u>	<u>327,350</u>	<u>9,543</u>
Total executive administration			

**OWOSSO PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS  
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>SUPPORTING SERVICES (Continued):</b>			
General administration (concluded):			
Human resources:			
Salaries	\$ 67,754	\$ 72,080	\$ (4,326)
Benefits	30,975	30,405	570
Purchased services	107,850	129,995	(22,145)
Supplies and materials	4,500	4,215	285
Other expenses	1,135	1,111	24
	<hr/>	<hr/>	<hr/>
Total human resources	212,214	237,806	(25,592)
	<hr/>	<hr/>	<hr/>
Total general administration	640,702	643,711	(3,009)
	<hr/>	<hr/>	<hr/>
School administration:			
Salaries	1,474,523	1,453,087	21,436
Benefits	632,883	600,944	31,939
Purchased services	160,085	156,594	3,491
Supplies and materials	27,220	25,779	1,441
Capital outlay	26,410	27,235	(825)
Other expense	10,710	10,354	356
	<hr/>	<hr/>	<hr/>
Total school administration	2,331,831	2,273,993	57,838
	<hr/>	<hr/>	<hr/>
Business services:			
Finance services:			
Salaries	237,197	237,314	(117)
Benefits	127,641	123,114	4,527
Purchased services	11,020	10,494	526
Supplies and materials	6,003	5,854	149
Capital outlay	2,519	2,519	
Other expense	1,750	1,131	619
	<hr/>	<hr/>	<hr/>
Total finance services	386,130	380,426	5,704
	<hr/>	<hr/>	<hr/>

**OWOSSO PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS  
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>SUPPORTING SERVICES (Continued):</b>			
Business services (concluded):			
Technology management:			
Salaries	\$ 196,059	\$ 191,255	\$ 4,804
Benefits	91,390	88,657	2,733
Purchased services	53,050	46,023	7,027
Supplies and materials	6,300	6,228	72
Capital outlay	15,250	15,226	24
Other expense	175	79	96
	<u>362,224</u>	<u>347,468</u>	<u>14,756</u>
Total technology management			
	<u>362,224</u>	<u>347,468</u>	<u>14,756</u>
Total business services	<u>748,354</u>	<u>727,894</u>	<u>20,460</u>
Operation and maintenance:			
Salaries	1,169,308	1,168,231	1,077
Benefits	713,142	688,571	24,571
Purchased services	451,660	433,458	18,202
Supplies and materials	823,876	798,568	25,308
Capital outlay	32,413	32,369	44
Other expense	1,500	999	501
	<u>3,191,899</u>	<u>3,122,196</u>	<u>69,703</u>
Total operation and maintenance			
	<u>3,191,899</u>	<u>3,122,196</u>	<u>69,703</u>
Transportation:			
Salaries	420,885	406,355	14,530
Benefits	122,210	116,417	5,793
Purchased service	15,881	14,977	904
Supplies and materials	115,853	107,535	8,318
Other expenses	600	1,079	(479)
	<u>675,429</u>	<u>646,363</u>	<u>29,066</u>
Total transportation			
	<u>675,429</u>	<u>646,363</u>	<u>29,066</u>
Other school services:			
Staff/personnel services:			
Purchased services - PAC	14,031	14,031	
Supplies - PAC		124	(124)
	<u>14,031</u>	<u>14,155</u>	<u>(124)</u>
Total staff/personnel services			
	<u>14,031</u>	<u>14,155</u>	<u>(124)</u>

**OWOSSO PUBLIC SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER TRANSACTIONS  
YEAR ENDED JUNE 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>SUPPORTING SERVICES (Concluded):</b>			
Other school services (concluded):			
Information services:			
Salaries	\$ 30,057	\$ 30,357	\$ (300)
Benefits	6,394	3,858	2,536
Purchased services	32,334	36,039	(3,705)
Supplies and materials	3,640	3,690	(50)
Capital outlay	2,500	2,380	120
Other expenses	250	222	28
	<u>75,175</u>	<u>76,546</u>	<u>(1,371)</u>
Total information services			
	<u>75,175</u>	<u>76,546</u>	<u>(1,371)</u>
Printing and other support services:			
Salaries	29,638	29,496	142
Benefits	20,232	20,828	(596)
Purchased services	5,200	5,200	
	<u>55,070</u>	<u>55,524</u>	<u>(454)</u>
Total printing and other support services			
	<u>55,070</u>	<u>55,524</u>	<u>(454)</u>
Total other school services	<u>144,276</u>	<u>146,225</u>	<u>(1,949)</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u>9,636,727</u>	<u>9,445,198</u>	<u>191,529</u>
<b>OUTGOING TRANSFERS AND OTHER TRANSACTIONS:</b>			
Fund modifications:			
Transfers to other funds	367,000	369,823	(2,823)
Transfers to RESD	180,798	180,589	209
Adult education flow through	252,225	252,185	40
Other	205,170	205,355	(185)
	<u>1,005,193</u>	<u>1,007,952</u>	<u>(2,759)</u>
<b>TOTAL OUTGOING TRANSFERS AND OTHER TRANSACTIONS</b>			
	<u>1,005,193</u>	<u>1,007,952</u>	<u>(2,759)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 32,369,283</u>	<u>\$ 31,815,980</u>	<u>\$ 553,303</u>



**OWOSSO PUBLIC SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2005  
(with comparative totals for June 30, 2004)**

ASSETS	Food Services	Athletics Fund	Total	
			2005	2004
Cash	\$ 73,530	\$ 17,666	\$ 91,196	\$ 30,189
Accounts receivable	55,001		55,001	55,001
Due from other governmental units				8,757
Due from other funds	126,206		126,206	262,498
Inventories	9,278		9,278	22,053
	<u>\$ 264,015</u>	<u>\$ 17,666</u>	<u>\$ 281,681</u>	<u>\$ 378,498</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 59,008	\$	\$ 59,008	\$ 90,591
Accrued payroll	519	110	629	8,499
Due to other funds		17,556	17,556	
	<u>59,527</u>	<u>17,666</u>	<u>77,193</u>	<u>99,090</u>
<b>TOTAL LIABILITIES</b>				
<b>FUND BALANCES:</b>				
Reserved for inventories	9,278		9,278	22,053
Unreserved:				
Undesignated	195,210		195,210	257,355
	<u>204,488</u>	<u></u>	<u>204,488</u>	<u>279,408</u>
<b>TOTAL FUND BALANCES</b>				
	<u>\$ 264,015</u>	<u>\$ 17,666</u>	<u>\$ 281,681</u>	<u>\$ 378,498</u>

**OWOSSO PUBLIC SCHOOLS  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2005  
(with comparative totals for the year ended June 30, 2004)**

	<b>Food Services</b>	<b>Athletics</b>	<b>Totals</b>	
			<b>2005</b>	<b>2004</b>
<b>REVENUES:</b>				
Local sources:				
Admissions	\$	\$ 96,948	\$ 96,948	\$ 102,604
Sales	529,486		529,486	562,804
Interest earnings	1,916	33	1,949	396
State sources	60,073		60,073	64,219
Federal sources	572,599		572,599	516,488
Total revenues	1,164,074	96,981	1,261,055	1,246,511
<b>EXPENDITURES:</b>				
Salaries	272,423	246,546	518,969	470,654
Employee benefits	84,103	54,022	138,125	111,790
Purchased services	171,257	42,648	213,905	201,587
Food	541,235		541,235	521,527
Supplies, materials and other	54,624	66,662	121,286	161,850
Equipment	95,121		95,121	8,624
Other	5,049	12,632	17,681	9,459
Total expenditures	1,223,812	422,510	1,646,322	1,485,491
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(59,738)	(325,529)	(385,267)	(238,980)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in (out)	(15,182)	325,529	310,347	295,993
<b>NET CHANGE IN FUND BALANCES</b>	(74,920)		(74,920)	57,013
<b>FUND BALANCES, beginning of year</b>	279,408		279,408	222,395
<b>FUND BALANCES, end of year</b>	\$ 204,488	\$	\$ 204,488	\$ 279,408

**OWOSSO PUBLIC SCHOOLS  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2005  
(with comparative totals for June 30, 2004)**

	<b>Durant state aid fund</b>	<b>Energy fund</b>	<b>Other fund</b>	<b>Totals</b>	
				<b>2005</b>	<b>2004</b>
<b>ASSETS</b>					
Cash	\$ 33,601	\$	\$ 12,677	\$ 46,278	\$ 39,948
Investments	108,412	4,610	97,030	210,052	162,790
Due from other funds	24,608			24,608	44,294
<b>TOTAL ASSETS</b>	<u><u>\$ 166,621</u></u>	<u><u>\$ 4,610</u></u>	<u><u>\$ 109,707</u></u>	<u><u>\$ 280,938</u></u>	<u><u>\$ 247,032</u></u>
<b>FUND BALANCES</b>	<u><u>\$ 166,621</u></u>	<u><u>\$ 4,610</u></u>	<u><u>\$ 109,707</u></u>	<u><u>\$ 280,938</u></u>	<u><u>\$ 247,032</u></u>

**OWOSSO PUBLIC SCHOOLS**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2005**  
**(with comparative totals for the year ended June 30, 2004)**

	<b>Durant state aid fund</b>	<b>Energy fund</b>	<b>Other fund</b>	<b>Totals</b>	
				<b>2005</b>	<b>2004</b>
<b>REVENUES:</b>					
Local sources:					
Interest	\$ 2,063	\$ 41	\$ 1,908	\$ 4,012	\$ 1,513
Total revenues	2,063	41	1,908	4,012	45,807
<b>EXPENDITURES:</b>					
Capital improvements:					
District wide	14,400			14,400	18,901
Total expenditures	14,400			14,400	18,901
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(12,337)	41	1,908	(10,388)	26,906
<b>OTHER FINANCING SOURCES:</b>					
Opertaing transfers from other funds	44,294			44,294	
<b>FUND BALANCES, beginning of year</b>	134,664	4,569	107,799	247,032	220,126
<b>FUND BALANCES, end of year</b>	<u>\$ 166,621</u>	<u>\$ 4,610</u>	<u>\$ 109,707</u>	<u>\$ 280,938</u>	<u>\$ 247,032</u>

**OWOSSO PUBLIC SCHOOLS  
 AGENCY FUND  
 BALANCE SHEET  
 JUNE 30, 2005  
 (with comparative totals for June 30, 2004)**

		<b>Totals</b>	
		<b>2005</b>	<b>2004</b>
<b>ASSETS</b>			
Cash		\$ 157,007	\$ 181,733
<b>LIABILITIES</b>			
Due to student groups:			
Agency fund - high school		\$ 136,327	\$ 157,547
Agency fund - middle school		20,680	24,186
		\$ 157,007	\$ 181,733

**OWOSSO PUBLIC SCHOOLS  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
AGENCY FUND  
HIGH SCHOOL STUDENT ACTIVITY FUNDS  
YEAR ENDED JUNE 30, 2005**

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
A.P. Exam Account	\$ 1,382	\$ 14,689	\$ 14,274	\$ 1,797
Academic Achievement	225		74	151
Affective Based Program (ABP)	290			290
Art Club		330		330
Athletic Beverage Acct.	4,436	27,187	28,803	2,820
 Athletic Start Up		1,000	1,000	
Band	815	5,671	5,181	1,305
Bank Start Up		2,000	2,000	
Banquet Fund	2,002	1,212		3,214
Baseball	652	3,175	1,997	1,830
 Big 9 Academic League	492	1,168	745	915
Bldg. Professional Fund	2,641	4,570	4,315	2,896
Bldg. Trades	10		10	
Bowling Club	32	810		842
Boys Soccer	169	2,469	1,904	734
 Boys Swimming	361	1,596	1,759	198
Boys Tennis	77			77
Boys Track	192	1,550	208	1,534
Business Professionals of America	614	6,747	6,009	1,352
C.A.S.H. Program	1,149	800	1,949	
 Cheerleaders	200	4,872	4,761	311
Cheryl Markva Fund	354		14	340
Class of 2004	2,919	23	2,942	
Class of 2005	2,846	10,154	12,999	1
Class of 2006	1,125	1,461	587	1,999
 Class of 2007	326	734	638	422
Class of 2008		341	110	231
Class Reunions	1,935	200	122	2,013
Coke	13,768	19,478	15,935	17,311
Competitive Cheer	454		351	103

**OWOSSO PUBLIC SCHOOLS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**AGENCY FUND**  
**HIGH SCHOOL STUDENT ACTIVITY FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Co-op	\$ 1,081	\$ 1,140	\$ 1,423	\$ 798
Cross Country Team	537		223	314
Dance Team		7,095	3,662	3,433
Donations	1,309	435	435	1,309
Drama	249			249
Earth Shuttle	100			100
Ecology	22	442	389	75
Electronics Club	145	234		379
Equestrian Team	28			28
Fine Arts Dance	4,821	16,719	19,268	2,272
Fines and fees	7,607	6,869	5,728	8,748
Flower Fund	25	180	205	
Freshman Cheerleading		2,034	1,435	599
Friends & Alumni	13,958	262	7,093	7,127
Gary Hathaway Memorial	439			439
Gazley's Career Account		512	506	6
General Fund	167		167	
Girls Basketball	2,255	2,689	2,893	2,051
Girls Golf	749	1,076	1,436	389
Girls Soccer	1,119	1,810	469	2,460
Girls Swimming	1,102	3,504	3,617	989
Girls Tennis	641	4,707	5,063	285
Girls Track Team	286	100	171	215
Guidance	2,668	3,374	4,886	1,156
Harvard Model Congress	1,404	5,927	7,168	163
Hillberry Trips		928	928	
International Club	785	33,556	33,381	960
Junior Dance	5			5
J.V. Cheerleading	143	214	222	135
Lansing Community College	1,202		1,202	

**OWOSSO PUBLIC SCHOOLS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**AGENCY FUND**  
**HIGH SCHOOL STUDENT ACTIVITY FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Library	\$ 218	\$ 798	\$ 794	\$ 222
Majorette Fund	199	63	196	66
Math Conferences	352	325	355	322
Mead Memorial	125			125
National Honor Society	459	2,531	2,409	581
O-Zone (H.S. Newspaper)	1,378	505	1,137	746
Paint and Palette Club	956	255		1,211
Parking Permits	6,059	2,116	954	7,221
Peer Mediation	103			103
Quiz Bowl	10	1,850	1,860	
Rule the Pool		480	197	283
S.A.D.D.	229	296	471	54
Seaturtles		6,975	4,761	2,214
Segment I (drivers ed)	25,900	16,800	42,500	200
Segment II (drivers ed)	122		122	
Softball	1,996	11,798	12,345	1,449
Special Education	64			64
Spic - Yearbook Account	10,757	4,906	7,517	8,146
Spic 2004	10,136	1,846	11,982	
Spic 2005		12,001	1,417	10,584
St. Council United Way		1,870	1,870	
Student Copy Machine	74			74
Student Council	815	8,969	3,873	5,911
Student of the Month Breakfast	759	307	733	333
Student Planners	212		212	
Summer School	470		470	
TBBC		10,117	9,608	509
Teachers Golf	95			95
Teachers Lounge	832		313	519
Tennis Clinic	1,496	569	135	1,930



**OWOSSO PUBLIC SCHOOLS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**AGENCY FUND**  
**HIGH SCHOOL STUDENT ACTIVITY FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
TGIF	\$	\$ 743	\$ 729	\$ 14
Thespian	1,307	4,867	4,598	1,576
Three D Art	77	5,017	4,999	95
Three on Three	684	5,700	5,634	750
Tournaments	2,389	16,030	14,238	4,181
Training Room	190	37	206	21
Trojan Apparel	1,924	1,594	1,198	2,320
Trojan Basketball	1,158	3,955	4,846	267
Vocal Music	1,202	225	172	1,255
Volleyball	307	5,923	4,268	1,962
Wrestling	2,180	2,124	1,080	3,224
	<u>\$ 157,547</u>	<u>\$ 337,636</u>	<u>\$ 358,856</u>	<u>\$ 136,327</u>

**OWOSSO PUBLIC SCHOOLS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**AGENCY FUND**  
**MIDDLE SCHOOL STUDENT ACTIVITY FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Athletics	\$ 24	\$ 2,110	\$ 1,613	\$ 521
Auditorium Restoration	500			500
Band Concessions	913	1,772	1,933	752
Band Fund	106	2,027	2,132	1
Baseball/Softball	204		204	
Books, Fines and Locks	3,494	1,146	1,817	2,823
Cheerleaders	19	429	325	123
Cross Country		160		160
Dance Team	295			295
Extra Curricular	687	214	287	614
Fundraiser	3	11,376	11,379	
Gate Receipts		6,297	6,297	
Student Activities Fund	2,050	7,682	7,327	2,405
L.Little Outdoor Acc	513		513	
Media Fund	517	3,674	3,774	417
Shop Fund	1,407	678	865	1,220
Student Government	863	1,465	1,700	628
Swim Club	1,270	758	1,045	983
Teachers' Lounge	213	330	40	503
Team 7 A	2,177	8,697	9,297	1,577
Team 7 B	3,533	6,542	6,878	3,197
Team 7 C	334	4,243	4,554	23
Team 8 A	884	1,309	2,035	158
Team 8 B	1,308	758	507	1,559
Team 8 C	1,098	6,381	7,433	46
Vocal Music	954	11,730	11,278	1,406
Yearbook	820	7,711	7,762	769
	<u>\$ 24,186</u>	<u>\$ 87,489</u>	<u>\$ 90,995</u>	<u>\$ 20,680</u>

**OWOSSO PUBLIC SCHOOLS**  
**ADDITIONAL REPORTS REQUIRED BY**  
**OMB CIRCULAR A-133**  
**YEAR ENDED JUNE 30, 2005**

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Lamonte T. Lator  
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Dennis D. Theis

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Owosso Public Schools  
Owosso, Michigan

August 30, 2005

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Owosso Public Schools as of and for the year ended June 30, 2005, which collectively comprise Owosso Public School's basic financial statements of the District's primary government and have issued our report thereon dated August 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Owosso Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Owosso Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Education  
Owosso Public Schools

August 30, 2005

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Maner, Costinison & Ellis, P.C.*

Certified Public Accountants



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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Owosso Public Schools  
Owosso, Michigan

August 30, 2005

Compliance

We have audited the compliance of Owosso Public Schools with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Owosso Public Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Owosso Public Schools' management. Our responsibility is to express an opinion on Owosso Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Owosso Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Owosso Public Schools' compliance with those requirements.

In our opinion, Owosso Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

August 30, 2005

### Internal Control Over Compliance

The management of Owosso Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered Owosso Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Owosso Public Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated August 30, 2005. Our audit was performed for the purpose of forming opinions on the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Maner, Costurison & Ellis, P.C.*

Certified Public Accountants



**OWOSSO PUBLIC SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue July 1, 2004	Prior years expenditures (memorandum only)	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2005
<b><u>U.S. Department of Agriculture:</u></b>								
Child Nutrition Cluster:								
Passed through the Michigan Department of Education:								
National School Lunch Program - Breakfast	10.553	05-1970	\$ 67,203	\$	\$	\$ 67,203	\$ 67,203	\$
National School Lunch Program - Breakfast		04-1970	7,836		62,221	7,836	7,836	
			75,039		62,221	75,039	75,039	
National School Lunch Program - Section 4	10.555	05-1950	58,726			58,726	58,726	
National School Lunch Program - Section 4		04-1950	8,631		54,800	8,631	8,631	
National School Lunch Program - Section 11		05-1960	309,480			309,480	309,480	
National School Lunch Program - Section 11		04-1960	45,469		268,211	45,469	45,469	
			422,306		323,011	422,306	422,306	
Total Child Nutrition Cluster			497,345		385,232	497,345	497,345	
Entitlement Commodities	10.550		63,033			63,033	63,033	
Bonus Commodities			12,221			12,221	12,221	
			75,254			75,254	75,254	
Total U.S. Department of Agriculture			572,599		385,232	572,599	572,599	
<b><u>U.S. Department of Education:</u></b>								
Passed through the Michigan Department of Education:								
Title I	84.010	05-1530-0405	824,847			743,698	496,473	247,225
		04-1530-0405	122,661			122,661	122,661	
		04-1530-0304	706,432	277,933	684,209	22,223	300,156	
			1,653,940	277,933	684,209	888,582	919,290	247,225
Title V	84.298	05-0250-0405	10,150			8,226	1,363	6,863
		04-0250-0304	3,295	3,295	3,295		3,295	
			13,445	3,295	3,295	8,226	4,658	6,863

The accompany notes are an integral part of this report.

**OWOSSO PUBLIC SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass- through grantor's number	Award amount	Accrued (deferred) revenue July 1, 2004	Prior years expenditures (memorandum only)	Current year expenditures	Current year cash receipts	Accrued (deferred) revenue June 30, 2005
<b><u>U.S. Department of Education (Concluded):</u></b>								
Passed through the Michigan Department of Education:								
Technology Literacy Challenge Grant	84.318	05-4290-0405	\$ 20,963	\$	\$	\$ 18,563	\$ 13,616	\$ 4,947
		04-4290-0405	2,280			2,280	2,280	
		04-4290-0304	17,778	3,069	17,778		3,069	
			<u>41,021</u>	<u>3,069</u>	<u>17,778</u>	<u>20,843</u>	<u>18,965</u>	<u>4,947</u>
Reading First State Grants	84.357	05-2930-030402	476,700			447,629	310,525	137,104
		03-2930-030401	658,257	172,072	658,257		172,072	
			<u>1,134,957</u>	<u>172,072</u>	<u>658,257</u>	<u>447,629</u>	<u>482,597</u>	<u>137,104</u>
Improving Teacher Quality	84.367	05-0520-0405	260,643			250,798	145,457	105,341
		04-0520-0405	131,459			131,459	131,459	
		04-0520-0304	129,901	63,024	129,901		63,024	
			<u>522,003</u>	<u>63,024</u>	<u>129,901</u>	<u>382,257</u>	<u>339,940</u>	<u>105,341</u>
Total U.S. Department of Education			<u>3,365,366</u>	<u>519,393</u>	<u>1,493,440</u>	<u>1,747,537</u>	<u>1,765,450</u>	<u>501,480</u>
TOTAL FEDERAL AWARDS			<u>#####</u>	<u>\$ 519,393</u>	<u>\$ 1,878,672</u>	<u>\$ 2,320,136</u>	<u>\$ 2,338,049</u>	<u>\$501,480</u>

The accompany notes are an integral part of this report.

**OWOSSO PUBLIC SCHOOLS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Owosso Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. The Child Nutrition Cluster, CFDA #10.553 and #10.555, and Improving Teacher Quality, CFDA #84.367 were audited as a major program representing 38% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditors' Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund federal revenues per financial statements	\$ 1,747,537
Other nonmajor funds federal revenues	<u>572,599</u>
Total federal expenditures per the financial statements	<u><u>\$ 2,320,136</u></u>

**OWOSSO PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005**

**Section I - Summary of Auditors' Results**

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***Financial Statements***

Type of auditors' report issued:

*Unqualified*

- Material weakness(es) identified: \_\_\_\_\_ Yes      X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: \_\_\_\_\_ Yes      X   No
- Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None reported

Type of auditors' report issued on compliance for major programs:

*Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?

\_\_\_\_\_ Yes      X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555 84.367	Child Nutrition Cluster Improving Teacher Quality

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No

**Section II - Financial Statement Findings**

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None

**Section III - Federal Award Findings and Questioned Costs**

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None

**OWOSSO PUBLIC SCHOOLS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

No prior year audit findings for the years ended June 30, 2004 and 2003.



Lamonte T. Lator  
Bruce J. Dunn  
Jeffrey C. Stevens  
Linda I. Schirmer  
Steven W. Scott  
David M. Raack  
Robert E. Miller, Jr.  
Steven B. Robbins  
James E. Nyquist  
James R. Dedyne

Timothy H. Adams  
David B. Caldwell  
Edward L. Williams, III  
Timothy J. Orians  
Dennis D. Theis

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Walter P. Maner, Jr. (1921-2004)  
Floyd L. Costerisan  
Leon A. Ellis (1933-1988)

August 30, 2005

To the Board of Education  
Owosso Public Schools  
Owosso, Michigan

In planning and performing our audit of the financial statements of Owosso Public Schools for the year ended June 30, 2005, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 30, 2005, on the financial statements of Owosso Public Schools.

### **New Rules for §403(b) Plans**

Proposed regulations were issued last year that require a written plan document for §403(b) plans. The plan must contain all the material terms and conditions for eligibility, benefits, contribution limitations, the annuity contracts or accounts available or used under the plan for funding, and the time and form under which benefit payments will be made. There is no requirement that a single document must be used.

The IRS recently announced that they are delaying the effective date for these rules until plan years beginning after December 31, 2006. Therefore, no action is necessary at this time.

To the Board of Education  
Owosso Public Schools  
Owosso, Michigan

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August 30, 2005

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Owosso Public Schools, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

*Maner, Costurison & Ellis, P.C.*



Lamonte T. Lator  
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Walter P. Maner, Jr. (1921-2004)  
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August 30, 2005

To the Finance Committee  
Owosso Public Schools

We have audited the financial statements of Owosso Public Schools for the year ended June 30, 2005, and have issued our report thereon dated August 30, 2005. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated June 21, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. Generally Accepted Accounting Standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the Owosso Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Owosso Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Owosso Public Schools' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Owosso Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Owosso Public Schools' compliance with those requirements.



2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Owosso Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2005. We noted no transactions entered into by Owosso Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions, for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the liability of the payout for employee compensated absences upon their retirement is based on expected payouts; the balance reported was approximately \$500,000. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Owosso Public School's financial reporting process (that is, cause future financial statements to be materially misstated). None of the adjustments we proposed, whether recorded or unrecorded by the Owosso Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the Owosso Public School's financial reporting process. See attached summary of "passed" journal entries.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Owosso Public School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Finance Committee and management of Owosso Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Maner, Costurison & Ellis, P.C.*

**OWOSSO PUBLIC SCHOOLS  
UNRECORDED JOURNAL ENTRIES  
JUNE 30, 2005**

	Account description	Debit	Credit	Net effect on income
	(1)			
Deferred revenue		\$ 103,803		
Revenue			\$ 103,803	\$ 103,803
(To adjust for Medicaid revenue)				
	(2)			
Accounts payable		\$ 53,763		
Expenditures			\$ 53,763	\$ 53,763
(To adjust for old outstanding payables)				
	(3)			
Revenue		\$ 175,524		
Retained earnings			\$ 175,524	\$ (175,524)
(To record roll over effect from prior year unrecorded journal entries)				
				<u><u>\$ (17,958)</u></u>

Response to item #4